



//KHARA HAIS MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 JUNE 2012

Annual Financial Statements For the Year Ended 30 June 2012

NATURE OF BUSINESS

COUNTRY OF ORIGIN AND LEGAL FORM

JURISDICTION

Karos
Lambrechtsdriфт

MEMBERS OF COUNCIL

[illegible]

MUNICIPAL MANAGER:

Willem JB Engelbrecht

ACTING CHIEF FINANCIAL OFFICER:

Ruaan Strauss

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Annual Financial Statements For the Year Ended 30 June 2012

GENERAL INFORMATION	
<u>GRADING OF LOCAL AUTHORITY:</u>	Grade 4
<u>AUDITORS:</u>	Auditor-General (Northern Cape)
<u>PRIMARY BANKERS:</u>	ABSA Bank Ltd
<u>RELEVANT LEGISLATION:</u>	
Municipal Finance Management Act (Act no 56 of 2003)	
Division of Revenue Act	
The Income Tax Act	
Value Added Tax Act	
Municipal Structures Act (Act no 117 of 1998)	
Municipal Systems Act (Act no 32 of 2000)	
Municipal Planning and Performance Management Regulations	
Water Services Act (Act no 108 of 1997)	
Housing Act (Act no 107 of 1997)	
Municipal Property Rates Act (Act no 6 of 2004)	
Electricity Act (Act no 41 of 1987)	
Skills Development Levies Act (Act no 9 of 1999)	
Employment Equity Act (Act no 55 of 1998)	
Unemployment Insurance Act (Act no 30 of 1966)	
Basic Conditions of Employment Act (Act no 75 of 1997)	
Supply Chain Management Regulations, 2005	
Collective Agreements	
Infrastructure Grants	
SALBC Leave Regulations	
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<u>POSTAL ADDRESS:</u>	Private Bag X6003 Upington 8800
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Municipal Manager	manager@kharahais.gov.za
Chief Financial Officer	cfo@kharahais.gov.za

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GENERAL INFORMATION

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 60, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

Date signed

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Annual Financial Statements For the Year Ended 30 June 2012

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// KHARA HAIS MUNICIPALITY STATEMENT OF FINANCIAL POSITION at 30 June 2012

		2012	2011	2011
	Note	R	Restated R	Audited R
ASSETS				
Non-current assets		2,209,312,359	2,276,123,773	2,276,123,773
Property, plant and equipment	1.1	2,025,181,800	2,091,670,515	2,091,670,515
Intangible assets	1.2	1,771,446	2,093,119	2,093,119
Investment Property	1.3	182,357,250	182,357,250	182,357,250
Non-current receivables	2	1,863	2,889	2,889
Current assets		48,276,465	52,536,767	52,536,767
Inventory	3	6,129,001	5,032,676	5,032,676
Trade receivables from exchange transactions	4	21,121,847	25,461,750	25,461,750
Trade receivables from non-exchange transactions	4	3,185,435	2,729,017	2,729,017
Other receivables	5	9,777,671	7,227,546	7,227,546
Short term investments	6	1,648,469	5,763,131	5,763,131
Cash and cash equivalents	7	6,394,454	6,299,813	6,299,813
Current portion of receivables	2	19,587	22,834	22,834
TOTAL ASSETS		2,257,588,823	2,328,660,540	2,328,660,540
NET ASSETS AND LIABILITIES				
Non-current liabilities		152,654,189	117,403,745	117,403,745
Non-current borrowings	8	81,906,797	70,206,788	70,206,788
Trust accounts	9	2,989,637	3,011,929	3,011,929
Non-current Provisions	10	67,757,755	44,185,028	44,185,028
Current liabilities		86,394,866	63,106,663	64,721,046
Current portion of borrowings	8	11,713,725	6,555,474	6,555,474
Consumer deposits	11	6,153,968	5,738,665	5,787,435
Provisions	12	4,122,568	3,931,927	3,931,927
Trade and other payables	13	21,217,596	21,189,605	36,089,605
Unspent conditional grants and receipts	14	30,899,295	20,729,508	7,395,121
VAT payable	15	1,989,797	3,593,929	3,593,929
Bank Overdraft	16	10,297,917	1,367,555	1,367,555
Net assets		2,018,539,768	2,148,150,132	2,146,535,749
Reserves			-	-
Accumulated surplus / (deficit)	17	2,018,539,768	2,148,150,132	2,146,535,749
TOTAL NET ASSETS AND LIABILITIES		2,257,588,823	2,328,660,540	2,328,660,540

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//KHARA HAIS MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2012

	Note	2012 R	2012 R	2011 Restated R	2011 Audited R
Revenue					
Property rates	18	43,340,022	43,970,383	39,471,694	39,471,694
Service charges	19	246,606,342	255,656,740	212,551,959	212,551,959
Rental of facilities and equipment		6,370,646	5,636,621	4,403,694	4,403,694
Interest earned - external investments		1,023,497	512,211	855,919	855,919
Interest earned - outstanding receivables		2,344,500	2,638,496	2,122,737	2,122,737
Fines		1,520,877	1,519,088	1,385,582	1,385,582
Licences and permits		1,732,037	1,574,797	1,554,264	1,554,264
Income for agency service		3,245,304	3,221,304	3,074,867	3,074,867
Income for housing agency service		1,600,000	1,600,000	3,216,168	3,266,693
Employee housing		90,573	71,994	101,390	101,390
Government grants and subsidies - Operating	20	54,618,184	60,186,062	46,242,192	44,676,899
Government grants and subsidies - Capital	20	13,633,831	36,794,081	8,719,046	8,719,046
Other income	21	2,940,551	2,582,433	3,161,394	3,161,394
		379,066,363	415,964,210	326,860,906	325,346,138
Less: Revenue forgone		(2,098,375)	(2,036,522)	(1,367,542)	(1,367,542)
TOTAL REVENUE		376,967,988	413,927,688	325,493,364	323,978,596
Expenses					
Employee related costs	22	156,643,288	155,093,620	139,826,305	139,826,305
Remuneration of councillors	23	6,531,083	6,751,716	5,333,590	5,333,590
Contributions to provisions - Bad debts	24.1	4,830,308	420,000	783,503	783,503
Contributions to provisions - Other	24.2	25,493,209	14,868,461	23,591,962	23,591,962
Collection cost		193,550	209,400	162,850	162,850
Depreciation and amortisation expense		108,502,606	4,880,911	141,340,459	141,340,459
Repairs and maintenance		10,398,829	11,191,417	10,462,394	10,458,837
Finance costs	25	9,416,932	7,926,399	7,594,126	7,594,126
Bulk purchases	26	102,300,564	101,264,360	79,407,736	79,407,736
Contracted services - Legal fees		1,809,708	1,939,619	1,486,425	1,486,425
Contracted services - Other		7,840,410	8,369,747	8,633,371	10,952,957
Grants and subsidies paid	27	917,343	905,600	855,409	855,409
Operating projects	28	506,857	2,511,117	1,049,515	1,049,515
General expenses	29	72,707,876	71,084,518	61,650,152	59,334,123
		508,092,562	387,416,885	482,177,797	482,177,797
Gain / (loss) on sale of assets		(557)	4	48,193	48,193
SURPLUS / (DEFICIT) FOR THE YEAR	17	(131,125,132)	26,510,807	(156,636,240)	(158,151,008)

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Statement of Changes in Net Assets for the Year Ended 30 June 2012

	Revaluation Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R
2011			
Balance at 1 July 2010	-	2,303,379,759	2,303,379,759
Correction of Error (Prior Year)	-	1,241,774	1,241,774
Restated Balance	-	2,304,621,532	2,304,621,532
Other Transfers	-	65,225	65,225
Surplus / (Deficit) for the Year	-	(156,636,240)	(156,636,240)
Balance at 30 June 2011	-	2,148,050,517	2,148,050,517
Correction of Error (Prior Year)	-	1,614,383	1,614,383
Restated Balance 30 June 2011	-	2,149,664,901	2,149,664,901
Surplus / (Deficit) for the Year	-	(131,125,132)	(131,125,132)
Balance at 30 June 2012	-	2,018,539,769	2,018,539,769

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Cash Flow Statement for the Year Ended 30 June 2012

	Note	2012 R	2011 R
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts			
Ratepayers and other		310,416,124	266,102,456
Government - operating	20	54,618,184	46,242,192
Government - capital	20	13,633,831	8,719,046
Interest		3,367,997	2,978,656
Payments			
Suppliers and employees		(360,215,013)	(310,332,431)
Unamortised Discount - Interest - Expenditure			
Transfers and Grants	27	(917,343)	(855,409)
Finance charges	25	(9,416,932)	(7,594,126)
Net Cash flow from operating activities		11,486,849	5,260,384
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of Property, Plant and Equipment		(41,121,549)	(30,065,257)
(Loss) / Proceeds on Disposal of Property, Plant and Equipment		(557)	48,193
Purchase of Intangible assets		(570,669)	(48,159)
Purchase of Investment Property		-	(3,200,000)
Decrease / (Increase) in Call Investment Deposits		4,114,662	(57,938)
Decrease / (Increase) in Non-Current Receivables		4,273	(8,101)
Increase / (Decrease) in Trust Accounts		(22,292)	527,896
Net Cash From Investing Activities		(37,596,132)	(32,803,365)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Loans Repaid		(6,606,362)	(5,139,824)
New Loans Raised		23,464,621	19,519,328
Increase / (Decrease) in Consumer Deposits		415,303	1,118,939
Net Cash From Financing Activities		17,273,562	15,498,442
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS FROM ACTIVITIES		(8,835,720)	(12,044,539)
Cash and cash equivalents at the beginning of the year		4,932,258	16,976,797
Cash and cash equivalents at the end of the year	30.1	(3,903,463)	4,932,258
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(8,835,720)	(12,044,539)

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Accounting Policies for the Annual Financial Statements For the Year Ended 30 June 2012

1 BASIS OF PRESENTATION

- 1.1 The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.
- 1.2 These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).
- 1.3 These accounting policies are consistent with those used to present the previous years's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.
- 1.4 The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), and where no GRAP statements existed the following statements were used in order of the preference based on Directive 5 of the Accounting Standard Board (ASB).
- 1.4.1 International Public Sector Accounting Standard Board (IPSASB)
- 1.4.2 International Financial Reporting Standards (IFRS)
- 1.4.3 International Accounting Standards (IAS)
- 1.5 The statements comprise of the following as set out in Appendix C: 1 April 2010 of Directive 5 of the Accounting Standards Board:

Standard	Description	Applicable
GRAP 1	Presentation of Financial Statements	Yes
GRAP 2	Cash Flow Statements	Yes
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors	Yes
GRAP 4	The Effects of Changes in Foreign Exchange Rates	No
GRAP 5	Borrowing Costs	Yes
GRAP 6	Consolidated Financial Statements and Accounting for Controlled Entities	No
GRAP 7	Accounting for Investments in Associates	No
GRAP 8	Financial Reporting of Interests in Joint Ventures	No
GRAP 9	Revenue from Exchange Transactions	Yes
GRAP 10	Financial Reporting in Hyperinflationary Economics	No
GRAP 11	Accounting for Construction Contracts	No
GRAP 12	Inventories	Yes
GRAP 13	Leases	Yes
GRAP 14	Events After Reporting Date	Yes
GRAP 16	Investment Property	No
GRAP 17	Property, Plant and Equipment	Yes
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets	Yes
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations	No
GRAP 101	Agriculture	No
GRAP 102	Intangible Assets	Yes
IPSAS 20	Related Party Disclosures	Yes
IFRS 7 (AC 144)	Financial Instruments: Disclosures	Yes
IAS 19 (AC 116)	Employee Benefits	Yes
IAS 32 (AC 125)	Financial Instruments: Presentation	Yes
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement	Yes

- 1.6 This Municipality is a medium capacity municipality and attempted to comply with the standards as set out above.

- 1.7 Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board (SAICA).

2 USE OF ESTIMATES AND JUDGEMENTS

- 2.1 The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice (GRAP) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and, actual results may differ from these estimates.
- 2.2 Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period which the estimates are revised and in any future affected.

3 PRESENTATION CURRENCY

- 3.1 These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

4 GOING CONCERN ASSUMPTION

- 4.1 The Municipality is deemed a going concern, following an assessment made by management during the compilation of the annual financial statements. However, material uncertainties exists related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern and they are explained below:

4.1.1. a) Deficit for the year: R131,125,132 (2010/2011 -R 156,636,240)

During the period 2008/2009 to 2009/2010 the Municipality utilised the transitional provisions of Directive 4 issued by the Accounting Standards Board; which allowed the Municipality three years to recognise assets under the previous basis of accounting utilised by Municipalities. However, for the 2010/2011 financial year and retrospectively for two years the Municipality had to apply the new required Accounting Standards to recognise their assets. The result was that these assets were recognised at its current depreciated replacement cost; which resulted in a significant increase in the accumulated surplus. Due to the significant increase in the value of assets; depreciation subsequently increased as well. Thus, although the increase in depreciation has resulted in a deficit, this deficit is set-off against the large accumulated surplus that has been created. The off-setting depreciation must go – according to the approved GRAP Accounting Standards – through the Statement of Financial Performance and may not be off-set directly against the Statement of Changes in Net Assets. The deficit is thus funded by the accumulated surplus in the Statement of Changes in Net Assets; and, thus this will influence the setting of tariffs in the future.

4.1.2. b) Current assets (R48,276,465) less than current liabilities (R86,394,866)

It is noted with real concern that the current assets is R 38,118,402 less than the current liabilities. Management are looking at ways to that will improve our current ratio of 0.56:1 to a more favorable current ratio of 1:1

4.1.3 c) Contingent liabilities: R 9,395,920

Two major possible contingent liabilities have been disclosed. They are the one of R 149,425,000 from the SAD for alleged negligence from the Municipality's Fire Department. Although the Municipality was informed in writing of this possible claim nearly two years ago; no summons have been issued by the SAD informing the Municipality of a legal action process that have been instituted. The claim was registered with our insurance company who appointed an assessor who made an investigation and submitted a report to our insurance company. Our insurance company will defend any claim of negligence if the SAD serves the Municipality with a summons.

The contingent liability of R 7,554,163 of Tauris Garden Trading CC is disclosed because the claimant had lodged an appeal against the High Court ruling in favour of the Municipality. The appeal case cannot move because the claimant is nowhere to be found. The Municipality is busy with a process to dismiss the claim to enable us to reseal the roads linked to the claim.

5 RESERVES

5.1 Capital Replacement Reserve (Distributable Reserve)

- 5.1.1 A Capital Replacement Reserve (CRR) is established with surplus cash-backed funds from the accumulated surplus for the procurement of future items of property, plant and equipment to be financed from own funds.

5.2 Revaluation Reserve (Non-Distributable Reserve)

- 5.2.1 The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP standards.
- 5.2.2 All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
- 5.2.3 All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Initial Recognition

- 6.1.2 Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.
- 6.1.3 The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.
- 6.1.4 Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.
- 6.1.5 When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
- 6.1.6 Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

- 6.1.7 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.
- 6.1.8 Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

6.2 Subsequent Measurement

- 6.2.1 Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.
- 6.2.2 Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.
- 6.2.3 Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.
- 6.2.4 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

6.3 Depreciation

- 6.3.1 Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Asset Group	Years	Asset Group	Years
Roads and Paving	3 - 50	Specialist vehicles	10 - 15
Pedestrian Malls	30	Other vehicles	4 - 10
Electricity	5 - 50	Office equipment	3 - 15
Water	3 - 50	Furniture and fittings	5 - 10
Sewerage	3 - 50	Watercraft	15 - 20
Community Buildings	5 - 30	Bins and containers	10 - 15
Community Centres	5 - 30	Specialised plant and equipment	10 - 15
Recreational Facilities	5 - 30	Other items of plant and equip	2 - 10
Security	3 - 5	Landfill sites	10 - 50
Buildings	5 - 30	Infrastructural assets	15 - 30

- 6.3.2 The above-mentioned estimated useful lives of assets are defined in more detail in Appendix B (Infrastructure Asset Classification) of the Municipality's Asset Management Policy.
- 6.3.3 Depreciation only commences when the asset is available for use, unless stated otherwise.
- 6.3.4 The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

6.4 Incomplete Construction Work

- 6.4.1 Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

6.5 Finance Leases

- 6.5.1 Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

6.6 Heritage Assets

- 6.6.1 Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

6.7 Land

- 6.7.1 Land is not depreciated as it is deemed to have an indefinite useful life.

6.8 Derecognition of Property, Plant and Equipment

- 6.8.1 The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.
- 6.8.2 The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.
- 6.8.3 Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

7 INTANGIBLE ASSETS

7.1 Initial Recognition

- 7.1.1 Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.
- 7.1.2 Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:
- 7.1.2.1 It is technically feasible to complete the intangible asset so that it will be available for use;
- 7.1.2.2 Management intends to complete the intangible asset and use or sell it;
- 7.1.2.3 There is an ability to use or sell the intangible asset;
- 7.1.2.4 It can be demonstrated how the intangible asset will generate probable future economic benefits;
- 7.1.2.5 Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- 7.1.2.6 The expenditure attributable to the intangible asset during its development can be reliably measured.

7.1.3 Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21/ IAS 36.

7.1.4 Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

7.2 Subsequent Measurement, Amortisation and Impairment

7.2.1 After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

7.2.3 After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.

7.2.4 Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

7.2.5 In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.

7.2.6 Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

7.2.7 The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

7.3 Derecognition

7.3.1 Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

8 INVESTMENT PROPERTY

8.1 Initial Recognition

- 8.1.1 Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.
- 8.1.2 At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.
- 8.1.3 The cost of self-constructed investment property is the cost at date of completion.
- 8.1.4 Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
- 8.1.4.1 All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- 8.1.4.2 Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- 8.1.4.3 A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- 8.1.4.4 A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
- 8.1.5 The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:
- 8.1.5.1 Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- 8.1.5.2 Property being constructed or developed on behalf of third parties;
- 8.1.5.3 Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- 8.1.5.4 Property that is being constructed or developed for future use as investment property;
- 8.1.5.5 Property that is leased to another entity under a finance lease;
- 8.1.5.6 Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- 8.1.5.7 Property held for strategic purposes or service delivery.

8.2 Subsequent Measurement - Cost Model

- 8.2.1 Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.
- 8.2.2 The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.
- 8.2.3 The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

8.3 Subsequent Measurement - Fair Value Model

- 8.3.1 Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

8.4 Derecognition

- 8.4.1 An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

8.5 Transitional Provisions

- 8.5.1 The fair values of investment properties recognised in terms of GRAP 16 have been disclosed for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 4.

9 IMPAIRMENT OF ASSETS

9.1 Impairment of Cash Generating Assets

- 9.1.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.
- 9.1.2 If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
- 9.1.3 The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.
- 9.1.4 The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.
- 9.1.5 If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.
- 9.1.6 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.
- 9.1.7 An impairment of assets carried at a revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- 9.1.8 An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- 9.1.8.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 9.1.9 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

- 9.1.10 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 9.1.11 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.
- 9.2 Impairment of Non-Cash Generating Assets**
- 9.2.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
- 9.2.2 If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.
- 9.2.3 The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.
- 9.2.4 If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.
- 9.2.5 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.
- 9.2.6 An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- 9.2.6.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 9.2.7 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.
- 9.2.8 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 9.2.9 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.
- 9.3 Transitional Provisions**
- 9.3.1 The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2011 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.
- 10 INVESTMENTS**
- 10.1 Financial Instruments**
- 10.1.1 Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

10.1.2 Changes in the fair value of financial instruments that are designated and effective as cash flow hedges are recognised directly in the accumulated surpluses / (deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus / (deficit).

10.1.3 Changes in the fair value of financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise.

10.2 Held-to-Maturity Investments

10.2.1 Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Municipality has the positive intention and ability to hold to maturity.

10.2.2 Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through surplus / (deficit) category are included in the Statement of Financial Performance in the period in which they arise.

11 INVENTORIES

11.1 Inventories include consumables stores, maintenance materials, spare parts for plant, equipment and land or property held for sale. Cost is determined by the weighted average method and comprises all costs of purchases, cost of development, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost or net realisable value.

11.2 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when goods are distributed or related service is rendered.

11.3 The amount of any write-down of inventories and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any write-down of inventories, arising from an increase in the net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

11.4 Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

12 ACCOUNTS RECEIVABLE

12.1 Consumer debtors, other debtors and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables.

12.2 Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date - irrespective if arrangements with outstanding debtors have been made over a longer period - are classified as current. All amounts outstanding for more than 120 days will be deemed doubtful and are provided for as bad debt, except for schools and government debtors. Bad debt provision for 50% of all amounts outstanding for more than 120 days for schools are provided for based on the Writing-Off of Irrecoverable Debt Policy of Council. Bad debt provision for 20% of all amounts outstanding for more than 120 days for government debtors are provided for based on possible interest to be written-off.

13 ACCOUNTS PAYABLE

- 13.1 Consumer deposits, creditors and sundry creditors are stated at their nominal value and subsequently measured at amortised cost.

14 REVENUE RECOGNITION

14.1 Revenue from Exchange Transactions

- 14.1.1 Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.
- 14.1.2 Revenue from the sale of pre-paid electricity and pre-paid water sales are recognised at the point of sale and not when prepaid electricity is consumed.
- 14.1.3 Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.
- 14.1.4 Service charges from sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.
- 14.1.5 Interest and rentals are recognised on a time proportion basis.
- 14.1.6 Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.
- 14.1.7 Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.
- 14.1.8 Revenue from the sale of goods is recognised when the risk is passed to the consumer.
- 14.1.9 Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.
- 14.1.10 Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

14.2 Revenue from Non-Exchange Transactions

- 14.2.1 Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.
- 14.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.
- 14.2.3 Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.
- 14.2.4 Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

- 14.2.5 Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15 CONDITIONAL GRANTS AND RECEIPTS

- 15.1 Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

16 PROVISIONS

- 16.1 Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

17 CASH AND CASH EQUIVALENTS

- 17.1 Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are not subject to any significant risk of change in value.
- 17.2 For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.
- 17.3 Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

18 UNAUTHORISED EXPENDITURE

- 18.1 Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 IRREGULAR EXPENDITURE

- 19.1 Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20 FRUITLESS AND WASTEFUL EXPENDITURE

- 20.1 Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 COMPARATIVE INFORMATION

21.1 Budget comparatives:

- 21.1.1 Budgeted amounts have been included in the annual financial statements in the Statement of Financial Performance for two years and in the Appendices for the current financial year only.

21.2 Prior year comparatives:

- 21.2.1 When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

22 LEASES

22.1 The Municipality as Lessee

- 22.1.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

- 22.1.2 Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

22.2 The Municipality as Lessor

- 22.2.1 Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. These assets are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

- 22.2.2 Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

23 RETIREMENT BENEFITS

- 23.1 The municipality contribute to retirement benefit plans and after retirement contributions to medical aid funds.

23.2 Defined Benefit Plans

- 23.2.1 The defined benefit funds, which are administered by independent administrators, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

23.3 Defined Contribution Plans

- 23.3.1 The contributions to fund obligations for the payment of retirement benefits are charged to the Statement of Financial Performance in the same period as the related service is provided.

23.4 Post-Retirement Medical Benefits

23.4.1 The Municipality provides post-retirement medical benefits to ex-employees. These benefits are charged to the Statement of Financial Performance in the year of payment. The expected costs of these are accrued over the period of employment. Independent actuaries carry out valuations of these obligations.

23.4.2 The municipality offered employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the scheme.

24 BORROWING COSTS

24.1 Borrowing costs are recognised as an expense in the Statement of Financial Performance in the period it incurred.

25 INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT

25.1 In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are provided from cash surpluses generated and transferred to the Capital Replacement Reserve (CRR).

26 RELATED PARTIES

26.1 Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel of the municipality are those persons, directly and indirectly, having authority and responsibility for planning, directing and controlling the activities of the Municipality. Key management is defined as the Municipal Manager, Chief Financial Officer and all other Section 57 managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

26.2 Any services rendered to and payments made to key management personnel and councillors other than their monthly remuneration will be disclosed appropriate.

27 VALUE ADDED TAX

27.1 The Municipality accounts for value added taxation on a cash basis.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

1.1 PROPERTY, PLANT AND EQUIPMENT

30 June 2012 Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other R	Total R
Carrying Values at 1 July 2011	56,389,540	164,894,486	1,759,233,939	62,196,353	4,273,000	44,683,197	2,091,670,515
Cost	56,389,540	181,551,773	2,713,979,003	84,166,951	4,273,000	55,852,403	3,096,212,669
Accumulated Depreciation	-	(16,657,287)	(954,745,064)	(21,970,598)	-	(11,169,206)	(1,004,542,155)
Acquisitions	-	-	-	-	-	18,573,080	18,573,080
Capital Under Construction	-	1,100,187	18,400,528	2,561,299	-	486,455	22,548,469
Depreciation	-	(6,527,640)	(88,717,361)	(3,109,829)	-	(8,482,277)	(106,837,107)
Capital assets under inventory	-	-	-	-	-	-	-
Carrying Values of disposals	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	(773,156)	(773,156)
Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-
Carrying Values at 30 June 2012	56,389,540	159,467,033	1,688,917,106	61,647,823	4,273,000	54,487,298	2,025,181,800
Cost	56,389,540	182,651,960	2,732,379,531	86,728,250	4,273,000	74,911,937	3,137,334,218
Accumulated Depreciation	-	(23,184,927)	(1,043,462,425)	(25,080,427)	-	(20,424,639)	(1,112,152,418)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

1.1 PROPERTY, PLANT AND EQUIPMENT

30 June 2011 Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community	Heritage R	Other R	Total R
Carrying Values at 1 July 2010	56,389,540	169,686,028	1,859,886,612	64,730,569	4,273,000	46,780,301	2,201,746,050
Cost	56,389,540	179,815,675	2,691,721,717	83,592,598	4,273,000	50,354,882	3,066,147,412
Accumulated Depreciation	-	(10,129,647)	(831,835,105)	(18,862,029)	-	(3,574,581)	(864,401,362)
Acquisitions	-	1,707,211	16,353,477	361,492	-	5,497,520	23,919,700
Capital Under Construction	-	28,887	5,903,808	212,862	-	-	6,145,557
Depreciation	-	(6,527,640)	(122,909,959)	(3,108,569)	-	(7,594,624)	(140,140,792)
Capital assets under inventory	-	-	-	-	-	-	-
Carrying Values of disposals	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-
Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-
Carrying Values at 30 June 2011	56,389,540	164,894,486	1,759,233,939	62,196,353	4,273,000	44,683,197	2,091,670,515
Cost	56,389,540	181,551,773	2,713,979,003	84,166,951	4,273,000	55,852,403	3,096,212,669
Accumulated Depreciation	-	(16,657,287)	(954,745,064)	(21,970,598)	-	(11,169,206)	(1,004,542,155)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
1.2.	INTANGIBLE ASSETS		
	Carrying value as at 1 July	2,093,119	3,244,627
	Cost	4,679,490	4,631,331
	Accumulated amortisation and impairment losses	(2,586,371)	(1,386,704)
	Acquisitions	570,669	48,159
	Amortisation for the year	(892,342)	(1,199,666)
	Carrying value of disposals	-	-
	Cost	-	-
	Accumulated amortisation	-	-
	Carrying value as at 30 June	1,771,446	2,093,119
	Cost	5,250,158	4,679,489.79
	Accumulated amortisation and impairment losses	(3,478,713)	(2,586,370.56)
1.3.	INVESTMENT PROPERTY AT FAIR VALUE		
	Reconciliation of fair value		
	Balance as at 1 July	182,357,250	179,157,250
	Acquisitions	-	3,200,000
	Amortisation for the year	-	-
	Fair value of disposals	-	-
	Impairment loss / Reversal of impairment loss	-	-
	Transfers	-	-
	Other movements	-	-
	Carrying value as at 30 June	182,357,250	182,357,250
	No Investment property have been pledged as security		
	The effective date of the revaluations was 30 June 2011. Revaluations were performed by independent valuers, DDP Valuers, which are not connected to the entity and have recent experience in location and ategory of the investment property being valued.		
	The valuation was based on open market values for existing use.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R	
2	NON-CURRENT RECEIVABLES			
	Sundry Loans	21,450	25,723	
	Less: Current portion transferred to current assets	(19,587)	(22,834)	
	Total	1,863	2,889	
3	INVENTORY			
	Consumable Stores – at Cost	6,021,484	4,850,926	
	Unsold water - at Cost	107,516	181,750	
		6,129,001	5,032,676	
	Surplus Inventory to the amount of R206,941 (2011 - R 67 246.57 loss) have been accounted during the year under review. This is mainly due to old electrical cables being written-off.			
	Included in consumable stock, is slow moving stock (stock showing no movement for the last 120 days) amounting to R 1,913,956 (2011 - R 1 216 842.34). Management is in a process to do impairment tests on this items with the assistance of the technical departments.			
	The value and quantity of unsold water at year-end was calculated on a management estimate based on the % of the capacity of the water storage facilities and the cost per kl water purified during the financial year.			
4	TRADE RECEIVABLES			
	As at 30 June 2012	Gross Balances	Provision for Bad Debts	Net Balance
	Trade receivables from Exchange Transactions	27,992,389	6,870,542	21,121,847
	Trade receivables from Non-Exchange Transactions	4,170,550	985,115	3,185,435
		32,162,938	7,855,656	24,307,282
	Trade receivables from Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
		R	R	R
	Consumer Debtors per group			
	//Khara Hais Municipality	14,122	-	14,122
	Business	8,087,772	3,012,360	5,075,413
	District	147,493	111,026	36,467
	Domestic	7,943,097	1,489,555	6,453,542
	Farming	1,149,570	402,163	747,406
	General	489,530	178,894	310,636
	Government	4,680,702	453,419	4,227,283
	Industrial	1,737,269	314,332	1,422,937
	Other	1,081,385	908,794	172,592
	Schools/Colleges/University	2,394,562	-	2,394,562
	Sub-Total	27,725,503	6,870,542	20,854,961
	Amounts received in advance	266,886	-	266,886
	Total	27,992,389	6,870,542	21,121,847

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R	
	Trade receivables from Non-Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
	As at 30 June 2012	R	R	R
	Consumer Debtors per group			
	//Khara Hais Municipality	-	-	-
	Business	580,504	254,695	325,809
	District	38,813	31,632	7,181
	Domestic	2,041,542	8,491	2,033,051
	Farming	681,684	495,192	186,492
	General	31,476	29,770	1,706
	Government	(42,765)	33,761	(76,526)
	Industrial	82,573	28,375	54,197
	Other	146,909	102,782	44,127
	Schools/Colleges/University	(12,030)	416	(12,446)
	Sub-Total	3,548,706	985,115	2,563,591
	Amounts received in advance	621,844	-	621,844
	Total	4,170,550	985,115	3,185,435
	As at 30 June 2011	Gross Balances	Provision for Bad Debts	Net Balance
	Trade receivables from Exchange Transactions	39,854,614	14,392,864	25,461,750
	Trade receivables from Non-Exchange Transactions	5,423,326	2,694,309	2,729,017
		45,277,940	17,087,173	28,190,767
	Trade receivables from Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
		R	R	R
	Consumer Debtors per group			
	//Khara Hais Municipality	(1,627)	-	(1,627)
	Business	5,557,144	1,193,350	4,363,794
	District	80,296	37,726	42,569
	Domestic	16,765,598	8,702,712	8,062,886
	Farming	8	-	8
	General	363,045	100,014	263,032
	Government	8,725,421	869,748	7,855,672
	Industrial	1,235,371	104,671	1,130,700
	Other	4,036,738	3,047,943	988,794
	Schools/Colleges/University	1,658,198	336,699	1,321,499
	Sub-Total	38,420,191	14,392,864	24,027,327
	Amounts received in advance	1,434,423	-	1,434,423
	Total	39,854,614	14,392,864	25,461,750

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
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	Trade receivables from Non-Exchange Transactions	<u>Gross Balances</u>	<u>Provision for Bad Debts</u>	<u>Net Balance</u>
	As at 30 June 2011	R	R	R
	Consumer Debtors per group			
	//Khara Hais Municipality	-	-	-
	Business	96,699	92,653	4,046
	District	30,897	26,234	4,663
	Domestic	3,374,405	1,622,149	1,752,256
	Farming	(8)	-	(8)
	General	29,002	2,313	26,689
	Government	265,876	105,352	160,524
	Industrial	72,653	15,574	57,079
	Other	1,146,392	829,704	316,689
	Schools/Colleges/University	(29,544)	331	(29,875)
	Sub-Total	4,986,372	2,694,309	2,292,064
	Amounts received in advance	436,953	-	436,953
	Total	5,423,326	2,694,309	2,729,017
	Trade and other receivables past due but not impaired			
	Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2012 R3,126,105 (2011: R 4 636 755) were past due but not impaired.			
	The ageing of amounts past due but not impaired is as follows:			
	1 month past due		1,302,379	1,713,868
	2 months past due		1,002,477	1,467,251
	3 months past due		821,248	1,455,637
			3,126,105	4,636,755

5	OTHER RECEIVABLES		
	Sundry Debtors	279,108	151,853
	SARS VAT Claim	-	567,411
	Monies Receivable - Various Departments	9,498,563	6,508,282
		9,777,671	7,227,546
	Due to the short term nature of these items, the carrying value approximated the fair value		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
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6	SHORT TERM INVESTMENTS		
	Total short-term Investments	8,037,163	12,057,284
	Less: Investments qualifying as Cash and Cash Equivalents	(6,388,694)	(6,294,153)
		<u>1,648,469</u>	<u>5,763,131</u>
	Investments with a maturity term of less than 3 months (90 days) are reclassified and disclosed as cash and cash equivalents.		
	It is council policy to invest surplus cash for periods not exceeding 12 months.		
	Investments to the amount of R2,625,352 (2011 - R 2 647 644) are ring-fenced specifically for employee trust accounts. Refer to note 9 for Employee benefits in trust		

7	CASH AND CASH EQUIVALENTS		
	Cashier's Float	3,660	3,660
	Petty Cash	2,100	2,000
	Investments qualifying as Cash and Cash Equivalents	6,388,694	6,294,153
	Total Cash and Cash Equivalents	<u>6,394,454</u>	<u>6,299,813</u>

8	NON-CURRENT BURROWINGS		
	Annuity Loans	93,620,522	76,762,263
	Less : Current portion transferred to current liabilities	(11,713,725)	(6,555,474)
	Total External Loans	<u>81,906,797</u>	<u>70,206,788</u>
	<i>(Refer to Appendix A for more detail on long-term liabilities)</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
9	TRUST ACCOUNTS		
	Gordonia Fund	364,284	364,284
	Employee Benefit Trust Accounts	2,625,352	2,647,644
	Total Trust Accounts	2,989,637	3,011,929
	Gordonia Fund		
	Balance at Beginning and end of the year	364,284	364,284
	Employee Benefit Trust Accounts		
	Balance at Beginning of Year	2,647,644	2,119,748
	Received	28,897	548,700
	Capital Withdraw	(150,881)	(102,259)
	Interest Received	136,265	124,412
	Interest Withdraw	(36,573)	(42,957)
	Balance at End of Year	2,625,352	2,647,644
	<i>(Employee benefit trust accounts are kept in trust for beneficiaries of deceased employees. These amounts are invested in separate investment accounts and utilised in terms of the stipulations of the Curator of the Estate).</i>		
10	NON-CURRENT PROVISIONS		
	Employee Benefits - Post Retirement Medical Benefits	60,920,342	37,196,505
	Employee Benefits - Long-Service Awards	5,514,105	5,667,255
	Landfill Sites	1,323,308	1,321,268
	Total Non-current Provisions	67,757,755	44,185,028
10.1	PROVISION FOR POST RETIREMENT MEDICAL BENEFITS	2012	2011
	Post-Employment Health Care Benefit Liability	62,576,150	38,852,313
	Total: Post Retirement Medical Aid Benefit Liability	62,576,150	38,852,313
	Less: Transfer to Current Provisions	(1,655,808)	(1,655,808)
	Net Post-Employment Health Care Benefit Liability	60,920,342	37,196,505

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R																		
	The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2012 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality. The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows: <table><tr><td>- In-service members</td><td>417</td><td>395</td></tr><tr><td>- Continuation members</td><td>62</td><td>62</td></tr><tr><td>Total</td><td>479</td><td>457</td></tr></table> The liability in respect of past service has been estimated to be as follows: <table><tr><td>- In-service members</td><td>35,098,604</td><td>30,072,636</td></tr><tr><td>- Continuation members</td><td>27,477,546</td><td>24,877,558</td></tr><tr><td></td><td>62,576,150</td><td>54,950,194</td></tr></table> The municipality makes monthly contributions for health care arrangements to the following medical aid schemes: - Bonitas - Global Health - LA Health - Samwumed The future service cost for the ensuing year is established to be R3,358,826 whereas the interest cost should be R4,881,855 (2011: R 2 953 158 and R 4 711 414 respectively) The principal assumptions used for the purposes of the actuarial valuations were as follows:	- In-service members	417	395	- Continuation members	62	62	Total	479	457	- In-service members	35,098,604	30,072,636	- Continuation members	27,477,546	24,877,558		62,576,150	54,950,194		
- In-service members	417	395																			
- Continuation members	62	62																			
Total	479	457																			
- In-service members	35,098,604	30,072,636																			
- Continuation members	27,477,546	24,877,558																			
	62,576,150	54,950,194																			

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
	Discount rate	0.08	0.09
	Health Care Cost Inflation Rate	0.07	0.07
	Net Effective Discount Rate	0.01	0.01
	Expected Retirement Age - Females	60.00	60.00
	Expected Retirement Age - Males	65.00	65.00
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	62,576,150	38,852,313
	Fair value of plan assets	-	-
		62,576,150	38,852,313
	Unrecognised liability	-	16,097,881
	Benefit Liability	62,576,150	54,950,194
	The amount recognised in the Statement of Financial Performance under employee related costs are as follows:		
	Current service cost	2,953,158	1,944,709
	Interest cost	4,711,414	3,980,261
	Benefits paid	(1,708,739)	(1,662,800)
	Transitional Liability recognised	-	8,048,940
	Actuarial (gain)/losses recognised	1,617,192	6,765,002
		7,573,025	19,076,112
	The movement in the defined benefit obligation over the year is as follows:		
	Balance at beginning of year	38,852,313	19,776,201
	Current service cost	2,953,158	1,944,709
	Interest cost	4,711,414	3,980,261
	Benefits paid	(1,708,739)	(1,662,800)
	Transitional Liability recognised	-	8,048,940
	Actuarial (gain)/losses recognised	1,617,192	6,765,002
	Balance at end of year	46,425,338	38,852,313
	The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:		
	Increase		
	Effect on the aggregate of the current service cost and the interest cost	-	7,127,900
	Effect on the defined benefit obligation	-	64,998,000
	Decrease		
	Effect on the aggregate of the current service cost and the interest cost	-	4,976,000
	Effect on the defined benefit obligation	-	49,906,000

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R												
	The municipality expects to make a contribution of R 1,655,808 (2010: R 1,662,800) to the defined benefit plans during the next financial year. The history of experienced adjustments is as follows: <table><tr><td></td><td>2012 R</td><td>2011 R</td></tr><tr><td>Present Value of Defined Benefit Obligation</td><td>62,576,150</td><td>54,950,194</td></tr><tr><td>Deficit</td><td>62,576,150</td><td>54,950,194</td></tr><tr><td>Experienced adjustments on Plan Liabilities</td><td>-</td><td>-</td></tr></table>		2012 R	2011 R	Present Value of Defined Benefit Obligation	62,576,150	54,950,194	Deficit	62,576,150	54,950,194	Experienced adjustments on Plan Liabilities	-	-		
	2012 R	2011 R													
Present Value of Defined Benefit Obligation	62,576,150	54,950,194													
Deficit	62,576,150	54,950,194													
Experienced adjustments on Plan Liabilities	-	-													
10.2	LONG SERVICE AWARDS AND RETIREMENT GIFTS	2012	2011												
	Provision for Long Service Awards	6,822,837	6,764,245												
	Total Provision for Long Service Awards	6,822,837	6,764,245												
	Less: Transfer to Current Provisions	(1,308,732)	(1,096,990)												
	Net Long Service Awards liability	5,514,105	5,667,255												
	A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2012 may become entitled to in future, based on an actuarial valuation performed at that date. The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2012 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality. The Long Service Awards plans are defined benefit plans. As at year end, 841 employees were eligible for Long Service Awards. The future service cost for the ensuing year is estimated to be R 1,336,912.														

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
	The principal assumptions used for the purposes of the actuarial valuations were as follows:		
	Discount rate	0.07	0.07
	Expected Rate of Salary Increase	0.06	0.06
	Net Effective Discount Rate	0.00	0.01
	The amounts recognised in the Statement of Financial		
	Present value of fund obligations	5,514,105	-
	Fair value of plan assets		
		5,514,105	-
	Unrecognised liability	(2,432,286)	(2,432,286)
	Net liability	3,081,819	(2,432,286)
	The amount recognised in the Statement of Financial		
	Performance under employee related costs are as follows:		
	Current service cost	1,046,948	894,298
	Interest cost	640,415	641,772
	Actuarial loss/(Gain)	-	-
	Actuarial losses unrecognised in prior year	1,095,011	987,111
	Total included in Employee Related Costs	2,782,374	2,523,181
	The movement in the defined benefit		
	Balance at beginning of year	3,921,310	3,921,310
	Current service cost	1,046,948	894,298
	Interest cost	640,415	641,772
	Benefits paid	-	-
	Transitional liability recognised	1,216,143	1,216,143
	Actuarial (gain)/losses recognised	1,095,011	987,111
	Expected Employer benefits vesting	(1,096,990)	(896,389)
	Transitional liability recognised	-	-
	Actuarial (gain)/losses recognised	-	-
	Balance at end of year	6,822,837	6,764,245

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
10.3	The effect of a 1 % movement in the assumed rate of salary inflation is as follows:		
	Increase		
	Effect on the aggregate of the current service cost and the interest cost	-	1,642,992
	Effect on the defined benefit obligation	-	9,818,000
	Decrease		
	Effect on the aggregate of the current service cost and the interest cost	-	1,455,981
	Effect on the defined benefit obligation	-	8,635,000
	The history of experienced adjustments is as follows:	2012	2011
	Present Value of Defined Benefit Obligation	10,881,915	9,196,531
	Deficit	10,881,915	9,196,531
10.3	Experienced adjustments on Plan Liabilities	-	-
	<u>Landfill Site - Environmental rehabilitation</u>		
	Balance beginning of the period	1,321,268	1,311,152
	Contributions	2,041	10,116
	Balance at the end of the period	1,323,308	1,321,268
	//Khara Hais Municipality currently operates a landfill site. Environmental rehabilitation – environmental obligation to rehabilitate the various landfill sites upon closure.		
11	CONSUMER DEPOSITS		
	Electricity and Water	5,435,809	4,941,705
	Sundry	718,159	796,959
	Total Consumer Deposits	6,153,968	5,738,665
	Guarantees Held In Lieu of Electricity and Water Deposits	130,170	130,170
	<i>Council's policy do not allow for the payment of interest on the deposits held by the municipality.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
12	PROVISIONS		
	Performance Bonusss	1,158,028	1,179,129
	Current portion of Post employment benefits transferred	1,655,808	1,655,808
	Current portion of Long service awards transferred	1,308,732	1,096,990
	Total Current Provisions	4,122,568	3,931,927
	<i>Performance bonuses</i>		
	Balance beginning of the period	1,179,129	1,393,718
	Performance bonuses paid	(481,753)	(632,527)
	Contributions	460,652	417,938
	Balance at the end of the period	1,158,028	1,179,129
13	TRADE AND OTHER PAYABLES		
	Trade Creditors	8,057,099	7,863,066
	Payments Received in Advance	888,730	1,871,376
	Retentions	1,708,792	1,915,350
	Unidentified Deposits	1,331,463	1,259,717
	Other Creditors	306,485	228,012
	Leave Accrual - Normal leave	8,702,609	7,803,123
	Leave Accrual - Long-service leave	222,420	248,962
		21,217,596	21,189,605
	Due to the short term nature of these items, the carrying value approximated the fair value		
	<i>Leave accrual - Normal Leave</i>		
	Balance beginning of the period	7,803,123	5,394,468
	Correction	-	(11,970)
	Leave payments	(1,103,085)	(607,763)
	Contributions	2,002,571	3,028,389
	Balance at the end of the period	8,702,609	7,803,123
	<i>Leave accrual - Long-service Leave</i>		
	Balance beginning of the period	248,962	146,773
	Leave payments	(203,452)	(472,484)
	Contributions	176,910	574,672
	Balance at the end of the period	222,420	248,962
	Provision for leave values due to employees is calculated in terms of the standard conditions of employment. Provision for long service leave values due to employees is calculated in terms of councils policy.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
14	UNSPENT CONDITIONAL GRANTS AND DONATIONS		
14.1	Conditional Grants From Other Spheres of Government	30,869,295	20,709,508
	FMG	(604,338)	684,905
	MSIG	(353,331)	403,342
	Provincial grants	1,024,679	823,122
	MIG	24,132,049	15,930,430
	Other	2,328,044	915,831
	Provincial LED Projects	101,593	288,956
	EPWP	4,099,365	1,521,889
	Health	141,033	141,033
	INEP	200	-
	Housing	-	-
14.2	Conditional Public Grants and Donations	30,000	20,000
	Other	30,000	20,000
	Unspent Conditional Grants and Donations	30,899,295	20,729,508
	<i>See Note 18 for reconciliation of grants from other spheres of government. Some of these amounts are invested in a ring-fenced investment until utilised.</i>		
	Due to the short term nature of these items, the carrying value approximated the fair value		
15	VAT PAYABLE		
	VAT Payable	1,989,797	3,593,929
	<i>VAT is payable on the cash basis. Only once payment is received from debtors is VAT paid over to SARS and claimed from SARS when actual payment of creditors are done.</i>		
16	BANK OVERDRAFT		
	Bank overdraft - ABSA Bank (Account 22-4000-0051)	10,297,917	1,367,555
	<u>Current Account (Primary Bank Account)</u>		
	ABSA Bank Limited - Upington Branch: Account Number 22-4000-0051		
	Cash Book Balance at Beginning of Year – Overdrawn	(1,367,555)	(3,772,523)
	Cash Book Balance at End of Year - Overdrawn	(10,297,917)	(1,367,555)
	Bank Statement Balance at Beginning of Year	5,356,932	10,893,201
	Bank Statement Balance at End of Year	3,820,939	5,356,932

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
17	ACCUMULATED SURPLUS		
	Accumulated surplus / (deficit)	2,018,539,769	2,148,150,132
		<u>2,018,539,769</u>	<u>2,148,150,132</u>
	Reconciliation of actual Surplus/(Deficit) for the year		
	Surplus/(Deficit) as per Statement of Financial Performance	(131,125,132)	(158,151,008)
	Plus:	98,089,439	128,730,920
	Depreciation	108,502,606	141,340,459
	Redemption on external loans	(10,413,167)	(12,609,538)
	Less:	11,859,377	14,872,916
	Government grants and subsidies - Capex	(13,633,831)	(8,719,046)
	Employee Benefits - Contribution to provisions	25,493,209	23,591,962
	Actual Surplus/(Deficit) for the year	<u>(21,176,315)</u>	<u>(14,547,172)</u>
	Reconciliation of Actual Surplus / (Deficit)		
	Overspending on employee related costs	(1,549,668)	(7,722,598)
	Insufficient redemption on external budgeted for	(20,080,022)	(4,492,080)
	Interest on investments not realised	511,286	(1,144,081)
	Island Resort revenue not realised due to floods	-	(2,229,156)
	Other revenue and expenditure	(57,912)	1,040,743
	Actual Surplus/(Deficit) for the year	<u>(21,176,315)</u>	<u>(14,547,172)</u>
18	PROPERTY RATES		
	General Rates		
	Total Assessment Rates	<u>43,340,022</u>	<u>39,471,694</u>
19	SERVICE CHARGES		
	Sale of Electricity	167,989,699	141,878,920
	Sale of Water	38,604,025	35,926,664
	Refuse Removal	16,947,731	14,390,367
	Sewerage and Sanitation Charges	23,064,887	20,356,008
		<u>246,606,342</u>	<u>212,551,959</u>

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
20	GOVERNMENT GRANTS AND SUBSIDIES		
	Government Grants and Subsidies - Operating	54,618,184	46,242,192
	Government Grants and Subsidies - Capital	13,633,831	8,719,046
	Total Government Grants and Subsidies	68,252,015	54,961,239
	Equitable Share	46,120,000	40,531,654
	Health Subsidy	1,170,000	1,104,000
	SETA Training Subsidy	763,414	319,631
	COGHSTA Subsidy	-	800,000
	Housing Grants	1,384,400	1,565,293
	District Municipality	9,368	-
	Health grant (Electrical Connection)	-	107,827
	INEP	1,828,800	310,000
	Provincial	353,443	754,792
	MIG	9,826,340	5,782,054
	MSIG	1,381,673	511,728
	Provincial LED Projects	187,363	51,226
	FMG	2,395,242	859,633
	Other Conditional Grants	617,105	535,135
	EPWP Grants	1,374,467	1,728,266
	DWAF	840,400	-
	Total Government Grants and Subsidies	68,252,015	54,961,239
20.1	<i>Equitable Share, Health and SETA Subsidies</i>		
	<i>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy to a maximum of R243.66 (2011 - R 222.78), which is funded from this grant.</i>		
	<i>The Health & SETA subsidies are utilised to finance the operations of the specific departments (Primary Health & Human Resources) within the municipality.</i>		
20.2	<i>Health grant (Electrical Connection)</i>		
	Balance unspent at beginning of year	141,033	141,033
	Current year receipts -	-	107,827
	Other transfers	-	-
	Conditions met - transferred to revenue	-	(107,827)
	Conditions still to be met - transferred to liabilities (see Note 14)	141,033	141,033

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
20.3	INEP Grant		
	Balance unspent at beginning of year	-	-
	Current year receipts -	1,829,000	310,000
	Other transfers	-	-
	Conditions met - transferred to revenue	(1,828,800)	(310,000)
	Conditions still to be met - transferred to liabilities (see Note 14)	200	-
20.4	Provincial Grants		
	Balance unspent at beginning of year	823,122	1,057,914
	Current year receipts	555,000	520,000
	Conditions met - transferred to revenue	(353,443)	(754,792)
	Conditions still to be met - transferred to liabilities (see Note 14)	1,024,679	823,122
	<i>The grant was utilised for the upgrading of library infrastructure and equipment as well as operating expenditure.</i>		
20.5	MIG		
	Balance unspent at beginning of year	15,930,430	11,372,525
	Current year receipts	19,611,000	11,923,000
	Other transfers	-	-
	Corrections	(1,583,041)	(1,583,041)
	Conditions met - transferred to revenue	(9,826,340)	(5,782,054)
	MIG roll-over not approved	-	-
	Conditions still to be met - transferred to liabilities (see Note 14)	24,132,049	15,930,430
	<i>The Municipal infrastructure grant is utilised for the construction of infrastructure in terms of the conditions of the grant. Due to critical vacant position within the Technical department, all MIG-projects could not be completed.</i>		
20.6	MSIG		
	Balance unspent at beginning of year	403,342	165,070
	Current year receipts -	790,000	750,000
	Withheld	(165,000)	-
	Conditions met - transferred to revenue	(1,381,673)	(511,728)
	Conditions still to be met - transferred to liabilities (see Note 14)	(353,331)	403,342
20.7	Provincial LED Projects		
	Balance unspent at beginning of year	288,956	340,182
	Current year receipts	-	-
	Adjustments directly against grant account	-	-
	Conditions met - transferred to revenue	(187,363)	(51,226)
	Conditions still to be met - transferred to liabilities (see Note 14)	101,593	288,956
	<i>Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Council General vote in Appendix D). No funds have been withheld.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
20.8	FMG		
	Balance unspent at beginning of year	684,905	344,538
	Current year receipts	1,450,000	1,200,000
	Withheld	(344,000)	-
	Conditions met - transferred to revenue	(2,395,242)	(859,633)
	Conditions still to be met - transferred to liabilities (see Note 14)	(604,338)	684,905
20.9	Other		
	Balance unspent at beginning of year	915,831	635,583
	Current year receipts	2,011,890	885,382
	Other transfers	-	(70,000)
	Corrections	17,428	
	Conditions met - transferred to revenue	(617,105)	(535,135)
	Conditions still to be met - transferred to liabilities (see Note 14)	2,328,044	915,831
20.10	EPWP		
	Balance unspent at beginning of year	1,521,889	1,556,465
	Current year receipts	3,951,943	1,693,690
	Other transfers	-	-
	Conditions met - transferred to revenue	(1,374,467)	(1,728,266)
	Conditions still to be met - transferred to liabilities (see Note 14)	4,099,365	1,521,889
20.11	DWAF		
	Balance unspent at beginning of year	-	-
	Current year receipts	840,400	-
	Other transfers	-	-
	Conditions met - transferred to revenue	(840,400)	-
	Conditions still to be met - transferred to liabilities (see Note 14)	-	-
21	OTHER INCOME		
	Commission	309,256	302,281
	Insurance Claims	384,584	279,488
	Plan fees	346,277	511,487
	Other	1,900,433	2,068,139
	Total Other Income	2,940,551	3,161,394

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
22	EMPLOYEE RELATED COSTS		
	Employee Related Costs - Salaries and Wages	120,711,911	105,351,849
	Employee Related Costs - Contributions for UIF, Pension, Medical Aid Funds, WCA and Group Life Insurance	27,945,433	23,980,756
	Housing Benefits and Allowances	336,186	355,731
	Overtime Payments	7,554,847	9,485,058
	Performance Bonus	460,652	417,938
	Long-Service Awards	203,452	226,754
	Additional Pension Fund contributions per Fund rules	-	8,219
		157,212,481	139,826,305
	Less: Employee Costs Capitalised	(569,193)	
	Total Employee Related Costs	156,643,288	139,826,305
	<i>There were no advances to employees.</i>		
22.1	Remuneration of the Municipal Manager		
	Annual Remuneration	728,984	728,526
	Car Allowance	150,969	156,060
	Contributions to Pension, Group Life & Medical Aid Funds	122,619	15,428
	Performance Bonuses	104,413	77,000
	Total	1,106,986	977,013
22.2	Remuneration of the Chief Financial Officer	10 months	
	Annual Remuneration	535,000	600,000
	Car Allowance	78,608	93,611
	Contributions to Pension, Group Life & Medical Aid Funds	138,729	157,408
	Performance Bonuses	109,652	83,714
	Total	861,990	934,733
22.3	Remuneration of the Director Technical Services		
	Annual Remuneration	685,200	637,200
	Car Allowance	46,990	56,444
	Contributions to Pension, Group Life & Medical Aid Funds	172,193	159,743
	Performance Bonuses	93,987	80,604
	Total	998,370	933,990
22.4	Remuneration of the Director Corporate Services		
	Annual Remuneration	648,940	611,700
	Car Allowance	69,913	65,854
	Contributions to Pension, Group Life & Medical Aid Funds	129,876	122,614
	Performance Bonuses	93,987	116,678
	Total	942,716	916,846

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
22.5	Remuneration of the Director Development Services		
	Annual Remuneration	786,229	650,452
	Car Allowance	115,080	108,480
	Contributions to Pension, Group Life & Medical Aid Funds	1,497	1,497
	Performance Bonuses	79,714	134,315
	Total	982,520	894,744
	<i>Performance bonuses paid was for the 2009/2010 financial year. Performance bonuses for the 2010/2011 and 2011/2012 financial years is provided as set out in Note 12.</i>		
23	REMUNERATION OF COUNCILLORS		
	Mayor	653,974	599,159
	Speaker	527,114	483,010
	Executive Committee Members	998,820	978,321
	Councillors	4,067,303	3,082,172
	Councillors' Pension / Medical Aid Contribution	283,873	190,929
	Total Councillors' Remuneration	6,531,083	5,333,590
	In-kind Benefits		
	<i>The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.</i>		
	<i>The Mayor has use of a Council owned vehicle for official duties.</i>		
24	CONTRIBUTIONS TO PROVISIONS		
24.1	Bad debts	4,830,308	783,503
		4,830,308	783,503
24.2	Other contributions		
	Landfill site	2,041	10,116
	Employee Benefits - Post Retirement Medical Benefit	25,432,576	20,738,912
	Employee Benefits - Long Service	58,592	2,842,935
		25,493,209	23,591,962

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
25	FINANCE COSTS		
	Non-current borrowings	9,416,932	7,594,126
		9,416,932	7,594,126
26	BULK PURCHASES		
	Electricity	99,208,358	77,981,124
	Water	3,092,206	1,426,612
		102,300,564	79,407,736
27	GRANTS AND SUBSIDIES PAID		
	Donations	737,543	670,411
	Bursaries & Other	179,800	184,998
		917,343	855,409
28	OPERATING PROJECTS		
	Other	506,857	1,049,515
		506,857	1,049,515
29	GENERAL EXPENDITURE		
	<i>General Expenditure Includes the Following</i>		
	2010 World Cup Soccer PVA	-	423,724
	Balance Previously Reported		-
	Correction of Error - Refer to note		423,724
	Advertisements	577,159	454,375
	Balance Previously Reported		372,122
	Correction of Error - Refer to note		82,253
	Audit Fees	2,847,171	2,319,585
	Balance Previously Reported		-
	Correction of Error - Refer to note		2,319,585
	Bank Charges	681,364	545,576

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
	Black Plastic Bags	945,464	1,205,629
	Balance Previously Reported		-
	Correction of Error - Refer to note		1,205,629
	Consumables & Parts	-	-
	Balance Previously Reported		4,779,860
	Correction of Error - Refer to note		(4,779,860)
	Chemicals and Fertilizers	2,035,417	1,821,051
	Balance Previously Reported		-
	Correction of Error - Refer to note		1,821,051
	Commission Paid	867,156	1,244,776
	Balance Previously Reported		-
	Correction of Error - Refer to note		1,244,776
	Cultural Festival	1,164,970	-
	Entertainment Costs	440,405	463,758
	Balance Previously Reported		-
	Correction of Error - Refer to note		463,758
	Fuel & Oil	6,178,672	5,114,620
	Balance Previously Reported		-
	Correction of Error - Refer to note		5,114,620
	Fuel	-	-
	Balance Previously Reported		2,154,504
	Correction of Error - Refer to note		(2,154,504)
	Indigent Assistance	20,159,047	16,116,646
	Balance Previously Reported		16,030,487
	Correction of Error - Refer to note		85,159
	Insurance Cost	1,354,884	2,251,309
	Balance Previously Reported		1,818,107
	Correction of Error - Refer to note		433,203
	Inter Departmental Charges	-	-
	Balance Previously Reported		35,874,719
	Correction of Error - Refer to note		(35,874,719)
	Job Creation Activities	8,205	-
	Laboratorium Analysis	251,933	196,080
	Balance Previously Reported		-
	Correction of Error - Refer to note		196,080

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
	Licence Fees	577,241	540,759
	Balance Previously Reported		-
	Correction of Error - Refer to note		540,759
	Membership Fees	366,159	774,678
	Balance Previously Reported		-
	Correction of Error - Refer to note		774,678
	Municipal Consumption	14,754,400	11,236,554
	Balance Previously Reported		11,092,754
	Correction of Error - Refer to note		143,800
	Other General Cost	8,400,319	6,168,240
	Balance Previously Reported		17,800,885
	Correction of Error - Refer to note		(11,632,645)
	Printing & Stationery	1,716,277	1,284,855
	Street Lightening	1,392,111	2,211,353
	Balance Previously Reported		-
	Correction of Error - Refer to note		2,211,353
	Subsistence & Travel Costs	3,018,734	2,699,228
	Balance Previously Reported		-
	Correction of Error - Refer to note		2,699,228
	Telephone Cost	3,225,860	2,976,012
	Balance Previously Reported		2,932,591
	Correction of Error - Refer to note		43,421
	Training	1,744,927	1,601,345
	Balance Previously Reported		1,335,596
	Correction of Error - Refer to note		265,748
		72,707,876	61,650,152
	Less: Internal Cost Recovered	-	-
	Balance Previously Reported		(36,687,932)
	Correction of Error - Refer to note		36,687,932
		72,707,876	61,650,152

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
30	RECONCILIATION BETWEEN NET SURPLUS / (DEFICIT) FOR THE YEAR AND CASH GENERATED / (ABSORBED) BY OPERATIONS		
30.1	CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus / (Deficit) for the year	(131,125,132)	(156,636,240)
	<u>Adjustments for:</u>		
	Depreciation on Property, Plant and Equipment	106,837,107	140,140,792
	Amortisation of Intangible Assets	892,342	1,199,666
	Gain on disposal of property, plant and equipment	-	(48,193)
	Loss on disposal of property, plant and equipment	557	-
	Debt Impairment	4,830,308	783,503
	Contribution from/to Landfill Sites	2,041	10,116
	Contribution from/to Post Retirement Medical Benefits	25,432,576	20,738,912
	Contribution from/to Long-Service Awards	58,592	2,842,935
	Contribution from/to Landfill Sites - expenditure incurred	(2,041)	-
	Contribution from/to Post Retirement Medical Benefits - expenditure incurred	(1,708,739)	(1,662,800)
	Contribution from/to Performance Bonus	460,652	417,938
	Contribution from/to Performance Bonus - expenditure incurred	(481,753)	(632,527)
	Operating Surplus/(Deficit) before changes in working capital	7,486,476	7,323,482
	Changes in working capital	4,000,373	(2,063,097)
	Increase in Trade and Other Payables	27,992	805,334
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	10,169,787	5,116,197
	Increase/(Decrease) in Taxes	(1,604,132)	638,417
	(Increase)/Decrease in Inventory	(1,096,324)	(1,248,038)
	(Increase)/Decrease in Trade and other receivables	(3,496,948)	(7,375,007)
	Cash generated/(absorbed) by operations	11,486,849	5,260,384
30.2	CASH & CASH EQUIVALENTS -		
	Cash & Cash Equivalents	6,394,454	6,299,813
	Bank Overdraft	(10,297,917)	(1,367,555)
	Restated balance	(3,903,463)	4,932,258

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
31	CORRECTION OF ERROR (Prior year adjustments)		2010 Adjustments
31.1	Adjustment to Trade and other payables		
	Amount Previously Stated		36,089,605
	MIG Roll-Over approved after AFS were finalised		(14,900,000.00)
	GRAP 17 implementation		-
	Restated balance		21,189,605
31.2	Adjustment to Unspent Conditional Grants		
	Amount Previously Stated		7,395,121
	MIG Roll-Over approved after AFS were finalised		14,900,000
	MIG - Correction of VAT		(1,565,613)
	Restated balance		20,729,508
31.3	Adjustment to Accumulated Surplus		
	Amount Previously Stated		2,146,535,749
	MIG - Correction of VAT		1,565,613
	Sundry Deposits Corrected		48,770
	Restated balance		2,148,150,132
	Adjustment to Statement of Financial Performance		
	Amount Previously Stated		(158,151,008)
	Reclassification of Government Grant - Operating		1,565,293
	Other Corrections		(50,525)
	Restated balance		(156,636,240)
32	RETIREMENT BENEFIT INFORMATION		
	All councillors and employees belong to retirement and pension funds approved by the South African Local Government Bargaining Council. These funds are subject to regular actuarial valuation. These funds are run by their own Board of Directors and each fund have their own rules, compliant to legislation, that they must adhere to.		
33	ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
33.1	Contributions to Organised Local Government		
	Opening Balance	-	512,138
	Council Subscriptions	358,021	755,266
	Amount Paid - Current Year	(358,021)	(1,267,405)
	Balance Unpaid (Included in Creditors)	-	-

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
33.2	Audit Fees		
	Opening Balance	22,189	-
	Current Year Audit Fees	2,758,271	2,281,904
	Amount Paid - Current Year C00238	(2,780,460)	(2,259,715)
	Balance Unpaid (Included in Creditors)	-	22,189
33.3	VAT		
	VAT input receivables and VAT output receivables are shown in Note 14. All VAT returns have been submitted by the due date throughout the year.		
33.4	PAYE		
	Opening Balance	-	-
	Current Year Payroll Deductions	14,671,769	14,020,736
	Amount Paid - Current Year	(14,669,965)	(14,020,736)
	Balance Unpaid (Included in Creditors)	1,804	-
33.5	Pension and Medical Aid Deductions		
	Opening Balance	-	-
	Current Year Payroll Deductions and Council Contributions	38,496,323	33,763,663
	Amount Paid - Current Year	(38,493,519)	(33,763,663)
	Balance Unpaid (Included in Creditors)	2,804	-
33.6	UIF Payments		
	Opening Balance	-	737
	Current Year Payroll Deductions and Council Contributions	2,001,656	1,737,931
	Amount Paid - Current Year	(2,000,485)	(1,738,667)
	Balance Unpaid (Included in Creditors)	1,170	-
33.7	Councillor's Consumer Accounts in arrear older than 90 days		
	CIlr M Brand	-	2,853
	CIlr M Kock	420	2,589
		420	5,442

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
33.8	Irregular or Fruitless and Wasteful Expenditure		
33.8.1	<u>Unspent Conditional Grants</u>		
	Unspent conditional grants and receipts		30,899,295
	Funds available		(2,254,994)
	Short term investments	1,648,469	
	Cash and cash equivalents	6,394,454	
	Bank Overdraft	(10,297,917)	
	Unfunded Conditional Grants		33,154,289
	Total Irregular Expenditure		33,154,289
33.8.2	<u>Fruitless and Wasteful Expenditure</u>		
	<i>Definition as per Municipal Finance Management Act: "fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;</i>		
	The following fruitless and wasteful expenditure have been incurred by the municipality for the year under review:		
	<u>Institution</u>	<u>Reason</u>	<u>Amount</u>
	Development Bank of South-Africa	Commitment fees - All loans not taken up as per agreement	129,724
			129,724
33.8.3	<u>Unauthorised</u>		
	Reconciliation of unauthorised expenditure:	Total 30 June 2012	Total 30 June 2011
	Opening Balance	5,610,888	-
	Approved by Council or condoned	(5,610,888)	-
	Unauthorised expenditure current year	(17,741,118)	5,610,888
	Unauthorised expenditure awaiting authorisation/Condonement	(17,741,118)	5,610,888
	<u>Vote - Municipal Manager</u>		
	Budgeted Amount		49,763,058
	Total cash items expenditure		42,040,721
	Total expenditure for the vote	70,108,281	
	Correction: Non-cash Items	(28,067,560)	
	Charge-outs	(745,380)	
	Depreciation	(1,831,012)	
	Employee Benefits contributions	(25,491,168)	
	Savings / (Unauthorised expenditure)		7,722,337

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
	Vote - Corporate Services		
	Budgeted Amount		16,788,858
	Total cash items expenditure		24,649,457
	Total expenditure for the vote	27,892,295	
	Correction: Non-cash Items	(3,242,838)	
	Charge-outs	(201,932)	
	Depreciation	(3,040,906)	
	Savings / (Unauthorised expenditure)		(7,860,599)
	Vote - Financial Services		
	Budgeted Amount		36,185,421
	Total cash items expenditure		46,065,940
	Total expenditure for the vote	51,597,125	
	Correction: Non-cash Items	(5,531,185)	
	Charge-outs	(310,815)	
	Depreciation	(390,063)	
	Bad debt provisions	(4,830,308)	
	Savings / (Unauthorised expenditure)		(9,880,519)
	Vote - Development Services		
	Budgeted Amount		85,893,718
	Total cash items expenditure		72,746,626
	Total expenditure for the vote	91,708,946	
	Correction: Non-cash Items	(18,962,320)	
	Charge-outs	(8,129,780)	
	Depreciation	(10,830,500)	
	Landfill site contributions	(2,041)	
	Savings / (Unauthorised expenditure)		13,147,092
	Vote - Technical Services		
	Budgeted Amount		198,785,830
	Total cash items expenditure		186,987,421
	Total expenditure for the vote	269,633,649	
	Correction: Non-cash Items	(82,646,229)	
	Charge-outs	9,763,896	
	Depreciation	(92,410,125)	
	Savings / (Unauthorised expenditure)		11,798,409

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
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33.9	Non-Compliance with the Municipal Finance Management Act The following non-compliances with the Municipal Finance Management Act occurred during the year under review: Section 62(1) Section 122 Section 46 Section 121(3) Section 123(1) Section 125(2)(e) Section 121(3)(j) Section 65(2)(a) & (b) Section 62(1)(d) Section 63(1)(a) & 63(2)(a) Section 72(1)(a)(ii) Section 72(1)(b) Section 53(1)(c)
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34.1

RELATED PARTIES

Related party relationships exist between the municipality and the following parties:
Mayor, Speaker , Councillors, Municipal Manager and Section 57 Managers.

Related party transactions
During the year the municipality rendered services to the following related parties that are related to the municipality as indicated

30 June 2012	Rates	Services charges & Other levies	Total 30 June 2012
Services rendered to related parties:			
Councillors	47,468	122,196	169,664
Municipal Manager & Sect 57 appointments	23,516	45,920	69,436
	70,985	168,116	239,100

30 June 2011	Rates	Services charges & Other levies	Total 30 June 2011
Services rendered to related parties:			
Councillors	36,267	85,622	121,889
Municipal Manager & Sect 57 appointments	21,959	37,494	59,453
	58,226	123,116	181,343

The rates, service and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised. The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and section 57 personnel.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
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34.2	Related party transactions		
	The following business transactions were concluded with businesses where a councillor are a member or a director of the company.		
	Company's Name	Councillor / Employee	Total 30 June 2012
			Total 30 June 2011
	Batho Pele Helpende Hand Begrafnisondernemers CC	B Adams - No longer a councillor since May 2011	-
	Help-U-Agency	S Esau Owner of Help-U-Agencies is the father of EJJ Esau who is the Manager: SCM	32,750
			30,000.00
The compensation of key management personnel is set out in Note 22.			
Related Party Loans			
Loans to senior management employees are no longer permitted since 1 July 2004			

35	CAPITAL COMMITMENTS		
	Commitments in Respect of Capital Expenditure:		
	Approved and Contracted for -	8,335,072	32,134,002
	Infrastructure	5,338,932	17,320,434
	Community	2,928,116	2,518,031
	Other	68,024	12,295,537
	Approved but not yet Contracted for -	81,027,579	154,276,870
	Infrastructure	71,327,579	131,833,070
	Community	2,850,000	5,113,800
	Other	6,850,000	17,330,000
	Total	89,362,651	186,410,872
	This expenditure will be financed from:		
	External Loans	4,350,643	92,832,330
	Government Grants	42,366,067	78,267,740
	Own Resources	42,645,941	15,310,803
		89,362,651	186,410,872
The Funding to finance the capital commitment are secured.			

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
36	CONTINGENT LIABILITIES	9,395,920	158,514,782
	//Khara Hais Municipality / SAD	-	149,425,000
	<i>Claim by SAD for damages incurred during a fire. SAD claim negligence on the part of //Khara Hais Municipality. Claim to be defended.</i>		
	//Khara Hais Municipality, K Sani & M Eland / Delida Nugent	100,000	100,000
	<i>Applicant claims unlawful arrest against //Khara Hais Municipality. Claim to be defended</i>		
	//Khara Hais Municipality / SA Local Authorities Pension Fund	1,227,942	1,227,942
	<i>Claim for amounts allegedly not paid to SALA Pension Fund. Claim to be defended.</i>		
	//Khara Hais Municipality / Holtzhausen Familie Trust	40,100	40,100
	<i>Claims for damages to property of the applicant. Claim to be defended</i>		
	Claim from JHJ Van Niekerk	28,030	28,030
	<i>Claim for burns to Mr Van Niekerk's son at Eiland Resort. //Khara Hais Municipality lost the case, but an appeal was lodged.</i>		
	//Khara Hais Municipality / Tauris Garden Trading 500 CC	7,554,163	7,554,163
	<i>A road-work tender awarded to Tauris Garden Trading 500 CC. Applicant could not comply with tender conditions, and tender was cancelled by means of a court order before any work was done. Applicant lodged an appeal.</i>		
	//Khara Hais Municipality / B Kock	30,000	-
	<i>Application for interdict against B Kock</i>		
	//Khara Hais Municipality / SA Music Rights Organisation Ltd	15,685	15,685
	<i>Claim for loss of revenue relating to copyright.</i>		
	//Khara Hais Municipality / Arrie Jors	100,000	100,000
	<i>Claim for improper eviction and property damages. Claim to be defended. Amount unknown but will not be less than mentioned amount.</i>		
	//Khara Hais Municipality / AC Pool	300,000.00	-
	<i>Claim for injuries occurred on pavement</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
37	CONTINGENT ASSET //Khara Hais Municipality / J Modisi ===== ===== <i>Claims for fraudulent payments made against houses repaired. Investigation ongoing and amount unknown</i>		
38	COMPARISON WITH THE BUDGET The municipality's actual financial performance compared with the approved budgeted is set out in Annexures E.		
39	<u>Distribution Losses:</u> 39.1 <u>Electricity</u> The electricity distribution losses comprises of technical losses. Technical losses are losses on the electricity subtransmission and distribution equipment due to attenuation of the power signal by conductors such as copper and aluminium. The acceptable industry standard for technical losses is between 5% and 8%. A total of 186,135,126 units of kWh were purchased and a total of 174,362,826 units of kWh were sold. Therefore a distribution loss of 11,772,3000 units or 6.32% were suffered by //Khara Hais Municipality for the 2011-2012 financial year. The value of these losses at cost price amounts to R6,424,342. 39.2 <u>Water</u> A total of 17,574,953 megaliters of water were produced/purchased and a total of 13,630,184 megaliters of water were sold. Therefore a distribution loss of 3,944,769 megaliters of water or 22.45% (2011 - 26.12%) were suffered by //Khara Hais Municipality for the 2011-2012 financial year. The total distribution loss of 3,944,769 megaliters does not however factor in that //Khara Hais Municipality have about 3,000 house connections (informal settlements on formal sites) without any water meters and about 940 customers (informal settlements on formal sites) receiving water from standpipes in the streets. Currently //Khara Hais Municipality cannot determine the water usages of these houses/customers due to a lack of funding to install either normale water meters or pre-paid water meters.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
40	FINANCIAL RISK MANAGEMENT		
	The activities of the municipality expose it to a variety of financial risks, including market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
40.1	<i>Foreign Exchange Currency Risk</i>		
	The municipality does not engage in foreign currency transactions.		
40.2	<i>Interest Rate Risk</i>		
	The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain 100% of its borrowings in fixed rate instruments.		
	At year end, financial instruments exposed to interest rate risk were as follows:		
	- Call deposits - Notice deposits - Development Bank of South Africa loans - ABSA Bank Loans		
40.3	<i>Credit Risk</i>		
	Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
	Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.		
	Financial assets exposed to credit risk at year end were as follows:		
	- ABSA Bank Current account - Trade and other receivables		
	These balances represent the maximum exposure to credit risk.		
	Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services customers but in practice this is sometimes difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2012

Note	Description	2012 R	2011 R
40.4	<i>Liquidity Risk</i> The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
41	EVENTS AFTER REPORTING DATE		
41.1	Loans to the amount of R46.8 million for infrastructure development are planned to be taken up in the 2012/2013 financial year. These loans will be obtained from Standard Bank and negotiations are under way regarding the best interest rate.		

//KHARA HAIS MUNICIPALITY

APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

External Loans	Loan Number	Redeemable	Loan term	Interest Rate (Fixed)	Balance at 01/07/2011	Received During the Period	Re-allocations	Interest Levied	Redeemed During the Period	Payment not processed in time	Balance at 30/06/2012	Other Costs in Accordance With the MFMA
					R	R			R		R	R
Annuity Loans												
Development Bank of SA	exl 2	31/03/2015	20 years	12.00%	936,793	-		98,352	(293,089)		742,057	-
Development Bank of SA	exl 1	31/03/2021	20 years	16.50%	8,547,210	-		1,395,461	(953,866)	(953,866)	8,034,938	-
Development Bank of SA	GA2036	31/12/2012	7 years	12.98%	1,591,182	-		198,539	(239,127)	(239,127)	1,311,467	-
Development Bank of SA	GA2037	31/12/2028	20 years	12.59%	20,597,580	13,563,388	-	3,578,192	(2,392,046)	(1,666,117)	33,680,997	-
Development Bank of SA	GA2038	31/12/2023	15 years	6.75%	24,027,554	3,813,221	-	1,717,360	(1,544,173)	(2,395,455)	25,618,507	-
ABSA Bank	40-6309-6496	31/08/2015	10 years	10.04%	1,643,031	-	-	155,060	(478,934)		1,319,156	-
ABSA Bank	40-6353-0507	02/11/2015	10 years	10.07%	1,162,348	-	-	107,766	(319,718)		950,397	-
ABSA Bank	40-6396-1623	31/12/2015	10 years	10.12%	2,845,016	-	-	278,236	(600,498)	(200,166)	2,322,588	-
ABSA Bank	40-6447-8475	29/02/2016	10 years	10.17%	3,005,191	-	-	290,280	(802,957)		2,492,514	-
ABSA Bank	30-3213-8054	30-09-2015	5 years	9.60%	2,584,928	-	-	234,207	(790,456)		2,028,680	-
ABSA Bank	30-3213-9212	30-09-2015	5 years	9.60%	9,821,429	-	-	961,197	(1,351,484)		9,431,142	-
Standard Bank	310-634-334	20-01-2017	5 years	10.00%		6,088,012		246,886	(646,819)		5,688,079	
TOTAL EXTERNAL LOANS					76,762,263	23,464,621	-	9,261,536	(10,413,167)	(5,454,731)	93,620,522	-

//KHARA HAIS MUNICIPALITY

APPENDIX B: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2012

	Cost / Revaluation					Accumulated Depreciation					Carrying Value	Budget Additions 2012
	Restated Opening Balance	Additons	Under Construction	Disposals	Closing Balance	Restated Opening Balance	Additons	Disposals	Impairment	Closing Balance		
<u>Land and Buildings</u>												
Land	56,389,540	-	-		56,389,540	-					56,389,540	
Buildings	181,551,773	1,100,187	-		182,651,960	(16,657,287)	(6,527,640)			(23,184,927)	159,467,033	
	237,941,313	1,100,187	-	-	239,041,500	(16,657,287)	(6,527,640)	-	-	(23,184,927)	215,856,572	-
<u>Infrastructure</u>												
Roads	982,127,327	7,251,440	-		989,378,767	(285,288,419)	(42,397,316)			(327,685,735)	661,693,032	
Electricity	582,376,993	5,023,895	-		587,400,889	(242,863,523)	(17,197,276)			(260,060,799)	327,340,090	
Sewerage Mains & Purification	330,178,162	471,012	-		330,649,174	(185,223,080)	(8,380,610)			(193,603,690)	137,045,484	
Stormwater	121,872,059	-	-		121,872,059	(30,959,605)	(2,464,006)			(33,423,610)	88,448,449	
Water Mains & Purification	632,340,253	5,654,180	-		637,994,433	(174,858,749)	(15,586,058)			(190,444,807)	447,549,626	
Solid waste	8,584,050	-	-		8,584,050	(6,148,552)	(683,633)			(6,832,185)	1,751,864	
Railway infrastructure	56,500,160	-	-		56,500,160	(29,403,137)	(2,008,462)			(31,411,599)	25,088,561	
	2,713,979,003	18,400,528	-	-	2,732,379,531	(954,745,064)	(88,717,361)	-	-	(1,043,462,425)	1,688,917,106	-
<u>Community assets</u>												
Community Assets	84,166,951	2,561,299	-		86,728,251	(21,970,598)	(3,109,829)			(25,080,427)	61,647,823	
	84,166,951	2,561,299	-	-	86,728,251	(21,970,598)	(3,109,829)	-	-	(25,080,427)	61,647,823	-
<u>Heritage Assets</u>												
Heritage Assets	4,273,000	-	-		4,273,000	-					4,273,000	
	4,273,000	-	-	-	4,273,000	-	-	-	-	-	4,273,000	-
<u>Other Assets</u>												
Site Furniture	9,789,645	486,455	-		10,276,099	(860,346)	(414,060)			(1,274,407)	9,001,693	
Vehicles and Movable Assets	45,846,965	18,573,080	-		64,420,045	(10,287,092)	(8,063,807)		(773,156)	(19,124,055)	45,295,990	
Other Fixed Assets	215,793	-	-		215,793	(21,767)	(4,410)			(26,177)	189,617	
	55,852,403	19,059,535	-	-	74,911,937	(11,169,205)	(8,482,277)	-	(773,156)	(20,424,639)	54,487,299	-
GRAND TOTAL	3,096,212,670	41,121,549	-	-	3,137,334,219	(1,004,542,155)	(106,837,107)	-	(773,156)	(1,112,152,418)	2,025,181,801	-

//KHARA HAIS MUNICIPALITY

APPENDIX C: SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2012

	Cost / Revaluation				Accumulated Depreciation					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Transfers	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Executive & Council	229,357,262	458,764	-	229,816,027	15,130,300	-			15,130,300	214,685,727	
Budget and Treasury	1,582,961	89,736	-	1,672,697	486,455	-			486,455	1,186,241	
Corporate Services		1,923,122		1,923,122						1,923,122	
Planning & Development	380,693	132,737	-	513,431	113,511	-			113,511	399,920	
Health	864,380	14,970	-	879,350	320,036	-			320,036	559,314	
Community & Social	22,391,385	1,471,610	-	23,862,995	4,783,949	-			4,783,949	19,079,047	
Housing	-	-	-	-	-	-			-	-	
Public Safety	9,843,008	282,841	-	10,125,849	3,299,885	-			3,299,885	6,825,964	
Sport & Recreation	80,131,553	787,467	-	80,919,020	20,147,083	-			20,147,083	60,771,937	
Environmental Services	-	-	-	-	-	-			-	-	
Waste Management	339,014,485	943,788	-	339,958,273	191,326,806	-	-	-	191,326,806	148,631,467	
Roads	1,183,164,123	24,442,438	-	1,207,606,561	347,568,727	-			347,568,727	860,037,834	
Water	632,701,183	5,550,180	-	638,251,363	175,012,129	-			175,012,129	463,239,235	
Electricity	582,489,054	5,023,895	-	587,512,949	242,892,151	-			242,892,151	344,620,798	
Other	14,292,583	-	-	14,292,583	3,461,125	-			3,461,125	10,831,458	
Unalloated						107,610,263			107,610,263	(107,610,263)	
TOTAL	3,096,212,670	41,121,549	-	3,137,334,219	1,004,542,155	107,610,263	-	-	1,112,152,418	2,025,181,801	-

//KHARA HAIS MUNICIPALITY

APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
38,105,461	158,832,017	(120,726,556)	Executive & Council	41,259,958	49,316,087	(8,056,129)
56,230,370	30,466,751	25,763,619	Budget & Treasury	68,984,275	51,597,125	17,387,150
834,565	39,093,645	(38,259,079)	Corporate Services	1,359,040	50,481,610	(49,122,570)
1,114,321	9,592,121	(8,477,800)	Planning & Development	1,233,083	13,185,965	(11,952,883)
1,118,638	4,167,243	(3,048,606)	Health	1,180,254	4,921,120	(3,740,867)
884,493	4,411,484	(3,526,991)	Community & Social Services	563,326	6,433,570	(5,870,244)
37,005,995	37,018,810	(12,815)	Housing	4,496,734	6,797,337	(2,300,603)
6,717,321	16,119,931	(9,402,610)	Public Safety	7,132,798	19,013,173	(11,880,375)
3,994,477	23,710,347	(19,715,870)	Sport & Recreation	5,774,420	35,287,283	(29,512,863)
-	-	-	Environmental Protection	-	-	-
14,390,367	20,956,629	(6,566,262)	Waste Management	16,980,080	17,512,261	(532,181)
20,366,835	19,238,441	1,128,394	Waste Water Management	23,314,887	22,286,550	1,028,336
582,412	13,060,363	(12,477,951)	Road Transport	756,607	59,104,006	(58,347,399)
35,929,029	31,085,302	4,843,726	Water	38,648,409	39,656,699	(1,008,290)
142,046,810	106,736,911	35,309,898	Electricity	168,130,206	133,727,700	34,402,506
10,291	1,477,629	(1,467,338)	Other	1,089	1,619,808	(1,618,719)
359,331,384	515,967,624	(156,636,240)	TOTAL	379,815,165	510,940,297	(131,125,132)

//KHARA HAIS MUNICIPALITY

APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/2012 Actual R	2011/2012 Budget R	2011/2012 Variance R	2011/2012 Variance %	Explanation of Significant Variances (Above or below 10%)
REVENUE					
Property rates	43,340,022	43,970,383	(630,361)	-1%	
Service charges	246,606,342	255,656,740	(9,050,398)	-4%	Investigation will be launched on the income of Service Charges
Rental of facilities and equipment	6,370,646	5,636,621	734,025	13%	Better utilization of rental facilities
Interest earned - external investments	1,023,497	512,211	511,286	100%	Surplus money invested resulted in additional interest received
Interest earned - outstanding receivables	2,344,500	2,638,496	(293,996)	-11%	Debtor were recovered/written-off, therefore less interest were levied
Fines	1,520,877	1,519,088	1,789	0%	
Licences and permits	1,732,037	1,574,797	157,240	10%	
Income for agency service	3,245,304	3,221,304	24,000	1%	
Income for housing agency service	1,600,000	1,600,000	-	0%	
Employee housing	90,573	71,994	18,579	26%	Additional employees renting houses
Government grants and subsidies - Operating	54,618,184	60,186,062	(5,567,878)	-9%	Not all grant income realised
Government grants and subsidies - Capital	13,633,831	36,794,081	(23,160,250)	-63%	Not all grant income realised
Other income	2,940,551	2,582,433	358,118	14%	See Note 21
	379,066,363	415,964,210	(36,897,847)	-9%	
Less: Revenue foregone	-2,098,375	(2,036,522)	(61,853)	3%	
Total Revenue	376,967,988	413,927,688	(36,959,700)	-9%	
EXPENDITURE					
Employee related costs	156,643,288	155,093,620	(1,549,668)	-1%	
Remuneration of councillors	6,531,083	6,751,716	220,633	3%	
Contributions to provisions - Bad debts	4,830,308	420,000	(4,410,308)	-1050%	
Contributions to provisions - Other	25,493,209	14,868,461	(10,624,748)	100%	Employee Benefits Provisions (IAS29)
Collection cost	193,550	209,400	15,850	8%	
Depreciation and amortisation expense	108,502,606	4,880,911	(103,621,695)	-2123%	GRAP 17 depreciation
Repairs and maintenance	10,398,829	11,191,417	792,588	7%	
Finance costs	9,416,932	7,926,399	(1,490,533)	-19%	Additional loans taken up during the year.
Bulk purchases	102,300,564	101,264,360	(1,036,204)	-1%	
Contracted services - Legal fees	1,809,708	1,939,619	129,911	7%	
Contracted services - Other	7,840,410	8,369,747	529,337	6%	
Grants and subsidies paid	917,343	905,600	(11,743)	-1%	
Operating projects	506,857	2,511,117	2,004,260	80%	Not all housing projects materialised
General expenses	72,707,876	71,084,518	(1,623,358)	-2%	
Total Expenditure	508,092,562	387,416,885	(120,675,677)	-31%	
Gain / (loss) on sale of assets	-557	4	(561)	-14023%	
NET SURPLUS/(DEFICIT)	-131,125,132	26,510,807	(157,635,939)	-595%	

//KHARA HAIS MUNICIPALITY

APPENDIX E(2): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	2011/2012 Actual R	2011/2012 Budget R	2011/2012 Variance R	2011/2012 Variance %	Explanation of Significant Variances
Executive & Council	458,764	1,979,483	(1,520,719)	-76.82%	
Budget & Treasury	89,736	86,732	3,004	3.46%	
Corporate Services	1,923,122	29,030,357	(27,107,235)	-93.38%	
Planning & Development	132,737	138,097	(5,360)	-3.88%	
Health	14,970	25,000	(10,030)	-40.12%	
Community & Social Services	1,471,610	4,458,682	(2,987,072)	-66.99%	
Housing	-	-	-	0.00%	
Public Safety	282,841	372,872	(90,031)	-24.15%	
Sport & Recreation	787,467	4,279,894	(3,492,427)	-81.60%	
Environmental Protection	-	-	-	0.00%	
Waste Management	943,788	565,600	378,188	66.86%	
Waste Water Management	-	2,242,413	(2,242,413)	-100.00%	
Road Transport	24,442,438	29,144,676	(4,702,238)	-16.13%	
Water	5,550,180	11,694,189	(6,144,009)	-52.54%	
Electricity	5,023,895	22,317,804	(17,293,909)	-77.49%	
Other	-	-	-	0.00%	
GRAND TOTALS	41,121,549	106,335,799	(65,214,250)	-61.3%	

//KHARA HAIS MUNICIPALITY

APPENDIX F: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure				
		04/2011 - 06/2011	07/2011 - 09/2011	10/2011 - 12/2011	01/2012 - 03/2012	04/2012 - 06/2012	04/2011 - 06/2011	07/2011 - 09/2011	10/2011 - 12/2011	01/2012 - 03/2012	04/2012 - 06/2012
Equitable Share	National Treasury	10,133,000	19,217,000	11,391,000	15,512,000	-	7,810,750	11,530,000	11,530,000	11,530,000	11,530,000
Housing Subsidies	Provincial	73,187	1,279,549	-	1,924,014	1,075,625	22,849,220	1,078,593	1,078,593	1,078,593	1,078,593
NER	NER		1,232,000	597,000	-	-	140,900	457,200	457,200	457,200	457,200
FMG	National Treasury		1,106,000	-	-	-	122,827	598,811	598,811	598,811	598,811
Macincedane	Provincial		-	555,000	-	-		88,361	88,361	88,361	88,361
MIG	National		5,883,000	-	13,728,000	-	3,613,359	2,456,585	2,456,585	2,456,585	2,456,585
EPWP	Transport		3,951,943	-	-	-		343,617	343,617	343,617	343,617
Tourism	Dept Sport,Art & Culture		-	-	-	-		-	-	-	-
Other	Other		10,000	-	-	-		-	-	-	-
Water	Dept Water & Forestry	154,954	-	-	907,090	43,200		210,100	210,100	210,100	210,100
Siyanda	Siyanda District Municipality		-	-	2,000	-		-	-	-	-
Lotto	National Lotteries Board		-	1,900,000	-	-		154,276	154,276	154,276	154,276
MSIG	DPLG		-	625,000	-	-	724,628	345,418	345,418	345,418	345,418
TOTALS		10,361,141	32,679,493	15,068,000	32,073,104	1,118,825	35,261,685	17,262,961	17,262,961	17,262,961	17,262,961

Name of Grants	Name of Organ of State or Municipal Entity	Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Did Your Municipality Comply With the Grant Conditions in Terms of Grant Framework in the Latest Division of Revenue Act	Reason for Non-Compliance	
		04/2011 - 06/2011	07/2011 - 09/2011	10/2011 - 12/2011	01/2012 - 03/2012	04/2012 - 06/2012		Yes / No		
Equitable Share	National Treasury	-	-	-	-	-		Yes		
Housing subsidies	Provincial	-	-	-	-	-		Yes		
NER	Ner	-	-	-	-	-		Yes		
FMG	National Treasury	-	344,000	-	-	-	Unspent portion of previous year	Yes		
Macincedane	Provincial	-	-	-	-	-		Yes		
MIG	National	-	-	-	-	-		Yes		
EPWP	Transport	-	-	-	-	-		Yes		
MSIG	National Treasury		165,000				Unspent portion of previous year	Yes		
TOTALS		-	509,000	-	-	-				

APPENDIX F - Unaudited
//KHARA HAIS MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2011	Correction of error	Restated balance 1 JULY 2011	Correction of error	Contributions during the year	Withheld	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012	Unspent 30 JUNE 2012 (Creditor)	Unpaid 30 JUNE 2012 (Debtor)
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS											
	R				R	R	R	R	R	R	R
FMG	684,905	-	684,905		1,450,000	(344,000)	(2,395,242)	-	(604,338)	-	(604,338)
MSIG	403,342	-	403,342		790,000	(165,000)	(1,381,673)	-	(353,331)	-	(353,331)
Provincial grants	823,122	-	823,122		555,000	-	(195,945)	(157,499)	1,024,679	1,024,679	-
MIG	17,513,471	(1,583,041)	15,930,430	(1,583,041)	19,611,000	-	(1,500,009)	(8,326,331)	24,132,049	24,132,049	-
Other	915,831	17,428	933,259		2,852,290	-	(840,400)	(617,105)	2,328,044	2,328,044	-
Provincial LED Projects	288,956	-	288,956		-	-	(187,363)	-	101,593	101,593	-
EPWP	1,521,889	-	1,521,889		3,951,943	-	-	(1,374,467)	4,099,365	4,099,365	-
Health	141,033	-	141,033		-	-	-	-	141,033	141,033	-
INEP	-	-	-		1,829,000	-	-	(1,828,800)	200	200	-
Donations - Other	20,000	-	20,000		10,000	-	-	-	30,000	30,000	-
Total	22,312,549	(1,565,613)	20,746,936	(1,583,041)	31,049,234	(509,000)	(6,500,632)	(12,304,201)	30,899,295	31,856,964	(957,669)